

## Message Text

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USEEC

FOL JAKARTA 7523 SENT ACTION SECSTATE INFO BANGKOK  
KUALA LUMPUR MANILA SINGAPORE TOKYO JUNE 7, 1978 REPEATED  
TO YOU QUOTE

LIMITED OFFICIAL USE JAKARTA 7523

E.O. 11652: N/A

TAGS: ECIN, ASEAN

SUBJECT: ASEAN ECONOMIC MINISTERS MEETING

1. SUMMARY: HIGHLIGHTS OF THE JUNE 5-6 ASEAN ECONOMIC  
MINISTERS MEETING INCLUDE ESTABLISHMENT OF AN ASEAN RICE  
RESERVE; APPROVAL OF 755 ADDITIONAL ITEMS FOR THE PRE-  
FERENTIAL TRADE AGREEMENT (PTA); ACCEPTANCE OF THE TEXT OF  
THE BASIC AGREEMENT COVERING INDUSTRIAL PROJECTS; AND  
APPROVAL OF THE MALAYSIAN UREA PROJECT. THE MINISTERS  
FAILED TO APPROVE THE GUIDELINES ON INDUSTRIAL COMPLEMENTA-  
TION. END SUMMARY.

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2. THE MEETING LASTED UNTIL THE EARLY HOURS OF JUNE 7.  
MOST OF OUR BEST SOURCES ARE EITHER STILL IN BED OR SEEING  
OFF VARIOUS DELEGATIONS AT THE AIRPORT. WE HAVE OBTAINED  
DRAFT COPIES OF THE PRESS RELEASE AND OF THE REPORT ON  
THE MEETING. THIS TELEGRAM IS BASED PRIMARILY ON THOSE  
TWO DRAFTS AND ON BRIEF CONVERSATIONS WITH TWOMARGINAL

PARTICIPANTS IN THE MEETING.

3. THE MINISTERS ACCEPTED THE COMMITTEE ON TRADE AND TOURISM (COTT) RECOMMENDATION THAT AN ADDITIONAL 755 ITEMS BE ADDED TO THE PTA AS OF SEPTEMBER 1. IT WAS ALSO AGREED THAT EACH COUNTRY IS TO MAKE OFFERS ON AT LEAST 100 PRODUCTS AT EACH NEGOTIATING ROUND. (COMMENT: THIS MEANS 500 ITEMS PER QUARTER AS OPPOSED TO 250 PREVIOUSLY.) AN ARRANGEMENT FOR APPROVAL BY INDIVIDUAL GOVERNMENTS OF PREFERENCES EXCHANGED IN BETWEEN ECON MINS' MEETINGS WAS ALSO SET UP. CONSIDERATION IS ALSO TO BE GIVEN TO MAKING TARIFF CUTS DEEPER THAN THE USUAL 10 PERCENT AFTER A MID-1979 ASSESSMENT.

4. THE MINISTERS ACCEPTED THE RECOMMENDATION OF THE COMMITTEE ON FOOD AGRICULTURE AND FORESTRY (COFAF) AND AGREED TO SET UP "IMMEDIATELY" A SYSTEM OF "REGIONALLY COORDINATED NATIONAL RESERVES FOR RICE." THAILAND IS TO COORDINATE AN INTERGOVERNMENTAL BODY WHICH WILL REPORT NO LATER THAN JANUARY 1 NEXT YEAR ON THE DETAILS OF SETTING UP SUCH A SYSTEM AS WELL AS ON THE EAR-MARKING OF CERTAIN QUANTITIES OF THE NATIONAL RESERVES FOR ASEAN USE. FINANCIAL ASSISTANCE FROM THIRD COUNTRIES AND/OR IFI'S WILL BE SOUGHT. THE MINISTERS ALSO URGED THAT EIGHT AGRICULTURAL PROJCTS BEING CARRIED OUT WITH THIRD COUNTRIES, INCLUDING FOUR WITH THE US, BE FINALIZED. LIMITED OFFICIAL USE

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THE FOUR ARE THE PLANT PROTECTION SCHEME, THE AGRICULTURAL TRAINING AND EXTENSION PROGRAM, THE WATERSHED CONSERVATION OF FORESTRY RESOURCES PROGRAM AND THE AGRICULTURAL PLANNING CENTER.

5. THE REPORTS OF THE COMMITTEES ON TRANSPORTATION AND COMMUNICATIONS AND ON FINANCE AND BANKING WERE ALSO ADOPTED BUT CONTAINED LITTLE OF IMPORTANCE. THE DRAFT REPORT MAKES NO MENTION OF THE REPORT OF THE COMMITTEE ON INDUSTRY, MINERALS AND ENERGY (COIME). ACCORDING TO THE PRESS RELEASE, THE MINISTERS APPROVED THE MALAYSIAN UREA PROJECT AND AGREED ON THE TEXT OF THE BASIC AGREEMENT ON ASEAN INDUSTRIAL PROJECTS AND ON THE TWO SUPPLEMENTAL AGREEMENTS COVERING THE INDONESIAN AND MALAYSIAN PROJECTS, RESPECTIVELY. HOWEVER, ACCORDING TO PARTICIPANTS, THE DRAFT SUPPLEMENTARY AGREEMENTS WERE NOT FINISHED UNTIL VERY LATE IN THE EVENING OF THE SIXTH, AND IT WAS DISCUSSION OF THESE THAT NECESSITATED THE MIDNIGHT OIL. THE PROBLEM CENTERS ON THE PROPOSED OWNERSHIP SPLIT, I.E., 60 PERCENT FOR THE HOST COUNTRY AND 10 PERCENT EACH FOR THE OTHER FOUR. SINGAPORE OBJECTED TO A 10 PERCENT EQUITY

HOLDING IN AGRICULTURAL PROJECTS IN WHICH IT HAS LITTLE INTEREST. AFTER BITTER AND PROTRACTED WRANGLING, THE GOS GOT ITS WAY WITH AGREEMENT THAT SINGAPORE WILL HAVE SOME SHARE IN THE OTHER PROJECTS BUT POSSIBLY AS LITTLE AS ONE OR TWO PERCENT. THE GOS RECEIVED NO SUPPORT IN THIS UNDERTAKING AND APPARENTLY WAS ACTIVELY OPPOSED BY ALL FOUR OTHER MEMBERS. THERE WAS NO DISCUSSION OF THE OTHER THREE INDUSTRIAL PROJECTS. THE DRAFT REPORT MAKES NO MENTION OF THE GUIDELINES ON INDUSTRIAL COMPLEMENTATION BUT ACCORDING TO THE PRESS RELEASE, THE MINISTERS INVITED THE ASEAN-CCI TO SUGGEST INDUSTRIAL COMPLEMENTATION SCHEMES WITHIN THE FRAMEWORK OF THE COIME DRAFT GUIDELINES FOR THE PURPOSE OF EVALUATING THE WORKABILITY OF THOSE GUIDELINES. THEY COULD THEN LIMITED OFFICIAL USE

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BE IMPROVED OR MODIFIED BEFORE BEING CONSIDERED BY THE NEXT ECONOMIC MINISTERS MEETING.

6. THE MINISTERS REVIEWED THE STATUS OF THE DIALOGUE WITH THE EEC AND THIRD COUNTRIES. CONCERNING THE U.S., THEY NOTED THAT THE NEXT SESSION WILL TAKE PLACE IN WASHINGTON ON 3-4 AUGUST, AND AGREED TO THE FOLLOWING SCHEDULE:

FIRST DAY--NORTH/SOUTH ISSUES, PARTICULARLY COMMODITY PROBLEMS AND TRADE ISSUES, INCLUDING MARKET ACCESS, GSP AND MTN.

SECOND DAY--INVESTMENT, INCLUDING TAX DEFERRAL, OPIC AND SIMILAR ISSUES; AND DEVELOPMENT COOPERATION, INCLUDING ENERGY RESOURCES AND REGIONAL EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS. THE MINISTERS ALSO AGREED TO PROPOSE A LONGER SESSION WITH U.S. CONGRESSIONAL LEADERS AND TO INFORM THE U.S. THAT THERE IS NO ASSURANCE THAT THE MINISTERS CAN PARTICIPATE IN ACTIVITIES IN NEW YORK AND LOS ANGELES. CONSIDERATION ALSO SHALL BE GIVEN TO AN ASEAN POST-DIALOGUE MEETING IN WASHINGTON ON SATURDAY, AUGUST 5.

7. IN OTHER ACTION, THE MINISTERS AGREED TO CONTINUE TO FIND WAYS AND MEANS TO STRENGTHEN THE WORKING OF THE ASEAN SECRETARIAT. THEY ALSO REITERATED THEIR DESIRE TO ESTABLISH STABEX AGREEMENTS BETWEEN ASEAN AND THIRD COUNTRIES. IT WAS AGREED THAT THE NEXT MEETING OF THE ECONOMIC MINISTERS WILL BE IN MALAYSIA IN DECEMBER.

8. EMBASSY WILL REPORT FURTHER DETAILS AND MORE OF THE FLAVOR OF THE MEETING AFTER WE HAVE SEEN OUR REGULAR LIMITED OFFICIAL USE

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CONTACTS. MASTERS UNQUOTE VANCE

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